

31 January 2020

**TalkTalk Telecom Group PLC**  
**Q3 FY20 Trading update**

**Acceleration of Fibre strategy, underpinned by sale of FibreNation for £200m  
and outperformance on Fibre and Ethernet growth; EBITDA outlook remains unchanged**

| Metric                                    | Q3 FY20       | Q2 FY20 | Q3 FY19 |
|---|---------------|---------|---------|
| Headline revenue (ex-Carrier and Off-net) | <b>£383m</b>  | £377m   | £386m   |
| Headline <sup>1</sup> On-net revenue      | <b>£310m</b>  | £310m   | £316m   |
| Headline Off-net revenue                  | <b>£3m</b>    | £2m     | £3m     |
| Headline Corporate revenue                | <b>£79m</b>   | £76m    | £82m    |
| Headline Data revenue                     | <b>£51m</b>   | £43m    | £44m    |
| Headline Voice revenue                    | <b>£22m</b>   | £24m    | £26m    |
| Headline Carrier revenue                  | <b>£6m</b>    | £9m     | £12m    |
| Fibre Net Adds                            | <b>148k</b>   | 174k    | 146k    |
| On-net ARPU                               | <b>£24.43</b> | £24.29  | £24.70  |
| On-net churn                              | <b>1.20%</b>  | 1.26%   | 1.16%   |
| Ethernet Net Adds                         | <b>1.7k</b>   | 1.1k    | 1.1k    |

<sup>1</sup> Headline revenue excludes revenue from MVNO proposition during the current and prior period

**Tristia Harrison, Chief Executive of TalkTalk, commented:** “TalkTalk enters 2020 a far simpler business with a structural advantage to accelerate Full Fibre nationwide. The recently agreed sale of our FibreNation business for £200m will strengthen our balance sheet while securing a long-term, competitive wholesale agreement, as well as full optionality to work with all Full Fibre builders.

*In the last quarter, we have outperformed the market on Fibre and Ethernet growth, with increasing numbers of customers in both Consumer and B2B taking higher speed products. We have continued to see industry-wide Voice decline, but with the successful completion of our move from London to the North West and the resulting cost reductions our EBITDA outlook remains unchanged.*

*As we look forward, we will reap the benefits of this simplification, further cost reductions, a strengthened balance sheet and cash generation. Plus, clear optionality to realise our scale and accelerate customer migration to Full Fibre products over the long term.”*

## Highlights

- **Acceleration of Full Fibre strategy**
  - On 21 January 2020 TalkTalk announced the sale of its FibreNation business for £200m to CityFibre
  - Net proceeds of the sale will be used to strengthen the Group's balance sheet
  - Sale underpinned by long-term, competitive wholesale agreement for TalkTalk customers in CityFibre areas, whilst also allowing TalkTalk the flexibility to partner with other network providers
  - TalkTalk is in talks with BT Openreach on a national Full Fibre agreement
- **Continued focus on Fibre in Consumer and B2B**
  - Strong momentum in Fibre net adds continued with 148k during Q3 (Q3 FY19: 146k), accounting for 32% share of all new Openreach Fibre to the Cabinet (FTTC) lines in Q3 (Q3 FY19: 23%)
  - 81% of new Consumer customers took a Fibre product (Q3 FY19: 63%) with 42% of these taking the faster, higher ARPU 80mbps product (Q3 FY19: 31%)
  - 52% of new Partner customers in our B2B division took a Fibre product (Q3 FY19: 44%)
  - Fibre customers benefit from faster, more reliable connectivity, and are accretive to customer lifetime value (CLV) with lower churn and cost to serve, as well as higher ARPU compared to Copper customers
- **Consistent strategy in Data business**
  - The Ethernet base grew by 1.7k (Q3 FY19: 1.1k), with 36% of orders for higher ARPU 1Gb lines (Q3 FY19: 29%)
  - Ethernet circuits are high margin products and the 1Gb product has materially higher ARPU and lower churn
- **Improving revenue and ARPU trends**
  - Revenue (ex-Carrier and Off-net) contracted by 0.8% year on year with increased Fibre penetration and Data growth offset by the industry-wide decline in Voice revenue, a modestly declining Copper base and accelerated re-contracting of some higher ARPU legacy customers
  - Encouragingly, revenue (ex-Carrier and Off-net) and On-net ARPU were up sequentially by 1.6% and 0.6% respectively due to increased Fibre mix and Data growth, with less ARPU dilution from legacy base re-contracting
- **EBITDA outlook remains unchanged**
  - EBITDA outlook for FY20 remains unchanged, driven by accelerated Fibre take-up and cost reduction
  - Cost savings on track, with HQ move to Salford now complete
  - Expect net debt/EBITDA ratio (pre-IFRS 16) to be towards 2.5x by year end, with further de-leveraging in FY21

The person responsible for arranging the release of this announcement on behalf of the Company is Tim Morris, General Counsel and Company Secretary.

There will be a webcast and conference call for analysts and investors at 8.30 am.

**Webcast link:** <https://webcast.merchantcantoscdn.com/webcaster/dyn/4000/7464/16532/118811/Lobby/default.htm>

**Conference call details:** Participants do not need a PIN for the live call – they simply need to ask to be put through to the TalkTalk results call.

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|--------------------------------|----------------------|----------------------|
| Live call:                     | UK and International | +44 (0) 20 3003 2666 |
| Replay (available for 7 days): | UK and International | +44 (0) 20 8196 1998 |
|                                | PIN:                 | 9768771#             |

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